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Subject: Bloomberg: Investors Press Natural-Gas Drillers to Cut Fracking Risks

Investors Press Natural-Gas Drillers to Cut Fracking Risks

By Jim Efstathiou Jr. - Dec 13, 2011 Natural-gas producers must do more to reduce environmental harm from hydraulic fracturing and disclose U.S. drilling risks, according to groups representing investors with more than \$130 billion in assets.

Companies such as Exxon Mobil Corp. (XOM) should identify the chemicals used and consume less water in fracturing to free gas trapped in rock, according to a report released today from the Investor Environmental Health Network and the Interfaith Center on Corporate Responsibility. The groups represent investors such as Pax World Funds in Portsmouth, New Hampshire, and Trillium Asset Management Corp. in Boston.

The U.S. gets about a third of its gas from fracturing, or fracking, in which millions of gallons of chemically treated water and sand are forced underground to break rock and release trapped fuel. On Dec. 8, The Environmental Protection Agency said for the first time it found chemicals used in fracking in a drinking-water aquifer in west-central Wyoming.

"Many companies are moving on their own, but how much they're moving and how they compare with other companies is difficult to tell right now because disclosure is inadequate," Richard Liroff, executive director of the Falls Church, Virginia-based health network and prime writer of the report, said in an interview. "There's really nobody who is doing it uniformly well."

Technology Advances

Advances in technology let companies expand the use of fracking in states such as Pennsylvania and Ohio. The boom has led to instances of poor well construction or improper handling of wastewater, which unnerve some investors, said Liroff, whose group pushes companies to reduce use of toxic chemicals. The New York-based Interfaith Center backs corporate efforts to improve the environment.

In the past two years, 21 shareholder resolutions on fracking have been submitted at annual meetings, according to Liroff's group. A proposal by the Park Foundation, an Ithaca, New York, group that supports education and public broadcasting, urged Irving, Texas-based Exxon to analyze the potential impacts of fracking and policy options to reduce environmental risks.

The proposal, for Exxon's May 25 shareholders' meeting, was rejected with 72 percent of the votes cast in opposition, according to the company.

Process Is 'Old'

"This is not highly regulated in Texas, and problems with drinking water have been huge," Molly Rooke, an Exxon shareholder, said at the meeting in Dallas, according to a company transcript. "I know it's a process that's old, but there are things, as you know, that are new and I encourage Exxon Mobil to do everything they can to employ the best procedures."

Exxon's board recommended defeat of the resolution, saying the company "is committed to operating in an environmentally responsible manner," and discloses risks associated with fracking, according to company filings.

"We understand all of those risks very well," Chief Executive Officer Rex Tillerson said at the meeting. "The contamination of fresh water -- shallow-water zones from the hydraulic fracturing process -- has yet to be substantiated in any case."

The EPA on Dec. 8 said that chemicals consistent with those used in fracking were found in groundwater samples in Pavillion, Wyoming. Calgary-based Encana Corp. (ECA), which owns 123 wells in Pavillion, said the report was not conclusive.

Cabot, Chesapeake

In Pennsylvania, Cabot Oil & Gas Corp. (COG) and Chesapeake Energy Corp. (CHK) paid settlements after drinking

water was fouled by natural gas, according to the state Department of Environmental Protection.

An August report from a task force named by Energy Secretary Steven Chu found that companies risk causing serious environmental damage from fracking unless they commit to the best engineering practices. New York state has barred fracking while it weighs environmental rules for the extraction process.

“There have been numerous incidents of poorly constructed wells, equipment failures, degraded local and regional air quality, water contamination, strained community relations, and related government enforcement actions and private lawsuits,” according to today’s report. “Transparency requires full disclosure of steps being taken to minimize risks, acknowledgment of challenges and failures, and clearly defined steps to continually improve operations.”

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